

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS NERI TO
GREETING CARD ASSOCIATION INTERROGATORIES
(GCA/USPS-T4-1-16)
(January 25, 2012)**

The United States Postal Service provides the responses of witness Neri (USPS-T-4) to the above-listed interrogatories of the Greeting Card Association, dated January 11, 2012. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno
Chief Counsel
Global Business & Service Development

James M. Mecone

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260
(202) 268-6525; Fax -5402
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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NERI
TO GREETING CARD ASSOCIATION INTERROGATORY

GCA/USPS-T4-1

On page 2, lines 8-21, of your prefiled testimony, you list three factors as responsible for excess processing capacity: an increase of processing equipment when mail volume was increasing, a growth of worksharing over the same period, and declining volume in First-Class Mail (FCM) since 2006.

(a) Please confirm there was excess processing capacity within the Postal Service before 2006. If you do not confirm, please explain why.

(b) Please explain fully what efforts were undertaken by the Postal Service to reduce excess mail processing capacity before 2006, including all automation equipment and labor expenditures.

(c) What efforts were undertaken by the Postal Service before 2006 to reduce excess facility and transportation expenses associated with mail processing?

RESPONSE:

(a) Confirmed, but up until 2006, volumes were growing. Therefore, some of this excess capacity was used to accommodate the volume growth.

(b) Prior to 2006, attempts to reduce excess capacity focused on the deployment of new equipment platforms which increased the amount of mail processed in mechanization, then automation. This included the deployment of all mail processing equipment. In addition to mail processing equipment upgrades, advancements were made in the development and visibility of metrics pertaining to mail processing costs. These advancements included systems such as End-of-Run and the Breakthrough Productivity Initiative. These systems provided increased visibility in mail processing workhour usage compared to volumes processed in an effort to create workforce scheduling and repositioning strategies.

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RESPONSE to GCA/USPS-T4-1 continued:

(c) See response to b. I am informed by Witness Martin that prior to 2006, utilization of network transportation was continually reviewed for opportunities to reduce costs as part of daily logistics management.

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GCA/USPS-T4-2

On page 3, line 7 of your testimony, you state that the Postal Service has over 487 mail processing facilities. Please break this total down into P&DCs, P&DFs, LDCs, NDCs, CSMPCs, DDCs, MPAs, and STCs. For each facility, please include the location of each by city and state.

RESPONSE:

The 487 figure referenced in the testimony was the count of network facilities as of September 15, 2011. The list of facilities, and their associated type, city, and state appear in Library Reference USPS-LR-N2012-1/57.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NERI
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GCA/USPS-T4-3

(a) Please define what functions are performed for “manual letters” at an ADC, as referenced on page 3, line 23, of your prefiled testimony.

(b) What letter characteristics define the difference between manual letters and automation letters?

(c) Do any single-piece letters, such as prebarcoded business reply letters, bypass the ADC?

RESPONSE:

(a) For manual letters at the ADC facility, Primary Distribution is performed to the destinating plant or SCF level. If the ADC facility is not the destinating P&DC for this mail, the mail is dispatched to the downstream plant for further distribution. If the ADC facility is also the destination P&DC for the respective mail, secondary distribution to the 5 digit level is performed.

(b) The physical characteristics for all mail classes and shapes are available in the Domestic Mail Manual at http://pe/text/dmm300/dmm300_landing.htm.

(c) Yes. The Automated Area Distribution Center (AADC) labeling list is used for the routing of automation compatible letter mail. The AADC labeling list is available at <http://pe/text/LabelingLists/L801.htm#1051497>.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NERI
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GCA/USPS-T4-4

(a) Is there excess capacity in BMEUs and DMUs? Please explain fully.

(b) (i) What percentage of commercial mail, by class, is sent to BMEUs and DMUs and (ii) what percentage is “transported by mailers directly to the postal processing facilities for entry”? (USPS-T4, page 4, lines 24-25.)

RESPONSE:

(a) Witness Neri is aware of no analysis concerning excess capacity at BMEUs or DMUs.

(b) Please see the response of witness Mehra (USPS-T-7) to Presiding Officer's Information Request No. 1, Question 15(g) for information regarding the volume of mail entered through BMEUs. The Postal Service does not send mail to DMUs.

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GCA/USPS-T4-5

(a) Regarding letter sorting operations prior to DPS processing: is any of this work performed on DPS machinery? If yes, how much?

(b) If your answer to (a) was "no", then in light of excess capacity on DPS machinery, please explain (i) whether any upstream processing prior to a DPS sort is or could be carried out on DPS machinery while the upstream machinery is reduced or eliminated, and (ii) if no such processing is performed on DPS machinery, why it is not.

RESPONSE:

(a) Yes. All letter mail pieces (as opposed to trays) that go through a machine are performed on machinery capable of performing DPS.

(b) Not applicable.

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GCA/USPS-T4-6

(a) Can DBCS automation equipment use other programs beyond the DPS sort program, e.g., incoming primary and secondary sorts? If so, please state what programs can be used.

(b) If your answer to (a) is affirmative, has this been done as DPS was being phased in?

Please explain your answers fully.

RESPONSE:

(a) Yes. The DBCS platform can perform all distribution of letter mail when a barcode is present on a mail piece. If the barcode must be applied, variations of the DBCS such as the DBCS Output Subsystem (OSS) and DBCS Input-Output Subsystem (DIOSS) are used to perform the address recognition and barcode application. For redirection of mail and application of a change of address label, a variation of the DBCS known as a Combined Input Output Subsystem (CLOSS) is used. All variations of the DBCS are capable of sorting mail in the DPS sort program and all other barcode sortation programs.

(b) Yes.

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GCA/USPS-T4-7

What percentage of operations inefficiencies are due to “unpredictable mail arrival”? (USPS-T4, page 12, line 7.)

RESPONSE:

The Postal Service has not estimated the percentage of inefficiencies due to unpredictable mail arrival. The point made here is that the inability to perfectly predict the arrival of mail volumes will lead to higher staffing levels than would otherwise be required if more precise mail arrival profiles were known.

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GCA/USPS/T4-8

On page 12, lines 6-7, of your prefiled testimony you attribute lack of operations efficiency in part to a drastic decline in mail and a major shift in the mail mix.

(a) Other than a decline in First-Class letter mail, what other declines and/or major shift(s) are you referring to?

(b) For each shift in mail mix referred to in your answer to (a), please explain fully how the shift causes a loss of efficiency.

RESPONSE:

(a) The reference is to the decline that the Postal Service has experienced in mail volumes from the peak 213 billion pieces in Fiscal Year 2006 to fewer than 168 billion pieces in Fiscal Year 2011. Not only did First-Class Mail decline during this period, but Standard Mail declined by over 17 billion pieces during this period as well. Please see the RPW reports from Fiscal Years 2006 and 2007, filed as Library Reference USPS-LR-N2012-1/56. The shift cited in this interrogatory refers to the increased percentage of Standard Mail and presorted First Class Mail.

(b) Please see section IV of the testimony of Dave Williams (USPS-T-1).

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GCA/USPS-T4-9

(a) Please quantify your statements on page 12, lines 17-23. Specifically: (i) Is the late arrival problem a small, moderate, or large issue in terms of the carrier time lost in manual casing? (ii) Please supply any estimates available to you of the amount of such time lost, in terms of workhours, dollars, or both.

(b) (i) Please explain the mechanism by which the late arrival issue results in additional clerk time. (ii) Please supply any estimates available to you of the amount of such additional time, in terms of workhours, dollars, or both.

RESPONSE:

(a) The estimates are provided in the testimony of witness Smith (USPS-T-9), at pages 24-25.

(b) This section of my testimony is related to specific instances in which mail volumes have arrived after sequencing due to the very short windows through which DPS mail volume must be sorted in order to meet overnight service standards. The mechanism through which this occurs is as follows: If single piece First-Class Mail letters that have an overnight service standard from ZIP Code A to ZIP Code B, in which ZIP Code A and ZIP Code B are served by two facilities, then that mail must go through cancellation and outgoing operations at the first facility. That mail is then loaded onto a truck for transportation to the second facility. At that second facility, this mail volume must go through an incoming primary operation, DPS first pass and DPS second pass. All of this must occur through very short operational windows and in some instances, due to the timing, this mail may miss the delivery point sequencing. If this occurs, this mail must be provided to the delivery unit for manual distribution. The estimates are provided in the testimony of witness Smith (USPS-T-9), at pages 24-25.

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GCA/USPS-T4-10

Please refer to page 13, lines 1-4, of your prefiled testimony, where you state that small operating windows create a need for extra processing equipment to meet overnight service standard commitments.

(a) For all letter mail processing equipment, including but not limited to DBCS equipment, please list the number of hours in a 24-hour day, for each of the seven days of a week, that such equipment is not in use. Please provide the mean downtime for each type of equipment in non-holiday periods, as well as the range of hours for non-use by each type.

(b) On page 13, Figure 5, please explain fully why your DPS window for letters is eight hours, from 11 p.m. until 7 a.m., whereas Postal Service witness Rosenberg states that there is a four-hour window that ends, evidently, at 5:30 a.m. for last volume overnight delivery arriving around 1:30 a.m. (cf. USPS-T3, page 2, lines 1-3).

RESPONSE:

(a) Please see Library Reference USPS-LR-N2012-1/44 - Materials Responsive to PR/USPS-T4-1(b).

(b) The chart on page 13 (Figure 5) shows the general operating plan for mail processing facilities. The DPS operation is comprised of 2 processing runs or passes of roughly equal volume. The current operating plan requires that plants complete DPS processing by 0700. This represents the latest time for mail to be processed and subsequently dispatched to the offices nearest the plant. Some DPS runs must be completed much earlier in order to allow for the additional travel time needed to reach the delivery office.

Witness Rosenberg's testimony on lines 1-3 of page 2 refers to the time available between the last receipt of mail from an overnight office and the first dispatch time to meet the far away delivery offices. As she notes, "There are approximately four hours between when the last volume arrives...and the DPS

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RESPONSE to GCA/USPS-T4-10 continued:

second pass clearance time required to meet the dispatch of value." She does not say the DPS window is only 4 hours in duration, merely that about four hours exist between the last receipt of overnight committed mail and the dispatch of value for the earliest DPS office. This overnight mail must still run through the first pass and then the entire second pass must run prior to the dispatch.

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GCA/USPS-T4-11

You state at page 14, lines 21-23, of your testimony that the proposed network discussed in Postal Service witness Rosenberg's testimony was "designed around the service changes proposed by witness David Williams (USPS-T-1)." Does this mean that witness Williams proposed the changed standards for over-night delivery, and that witness Rosenberg used the changed standards as an input for her own work? Please explain your answer fully.

RESPONSE:

The Postal Service intends to file a correction to the testimony. Line 23 should reflect that Witness Williams described the proposed changes as published in the December 15 Federal Register.

These described changes were utilized by witness Rosenberg for her modeling.

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GCA/USPS-T4-12

Please refer to your prefiled testimony at page 14, lines 1-20.

- (a) What, to date, is the average length of time between the start of an AMP process and its conclusion, both for plants actually closed, and for all AMP studies regardless of whether the study led to a plant closing?
- (b) For plants that were closed under an AMP process, what was the length of time between the recommendation for closure, and the actual point at which the plant was shut down or consolidated?
- (c) Under the proposed network rationalization plan, in light of your answers to (a) and (b) above and the number of personnel available to perform AMP, how many years would it take to complete the network rationalization?

RESPONSE:

- (a) Since 2008, the average (mean) length of time between the start of an AMP study to its conclusion is 216 days.
- (b) Since 2008, the average (mean) length of time between the final official's approval of an AMP and the completion of consolidation is 145 days.
- (c) The Postal Service has announced publicly its significant financial challenges and its plan to implement network changes. The implementation timeline is based upon the decision to change service standards as brought forth in this docket. The Postal Service will assign adequate resources to meet its objectives.

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GCA/USPS-T4-13

(a) Given current entry deadlines for worksharing mailers to enter their letter mail into the Postal Service network, and assuming delivery deadlines for a mailer to present mail to a presort bureau are 6 p.m., what would you estimate is the capacity utilization of their MLOCR, BCS and related mail processing equipment based on a 24-hour, seven-day-a-week availability?

(b) How would your new entry deadlines for worksharing mailers affect your answer in (a)?

RESPONSE:

(a) Presort bureaus are contracted by mailers, not the Postal Service.

Questions regarding the capacity of a presort bureau's operations should be directed at them, since they have not provided the Postal Service such information.

(b) Not applicable.

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GCA/USPS-T4-14

(a) Please explain how the end of overnight delivery, would "improve service" as you state on page 15, line 13.

(b) Does the reference to improving service, cited in (a), refer only or principally to service performance?

RESPONSE:

(a) The reference refers to service performance. The change in operating window would allow the Postal Service to more consistently deliver the service as proposed in the business rules. This is primarily due to the increased predictability of daily processing requirements.

(b) Please see the response to part a of this interrogatory.

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GCA/USPS-T4-15

Please refer to page 15, lines 21-22, of your prefiled testimony.

You assert that network rationalization would allow elimination of the AADC/ADC distinction and that as a result “automation letters along with manual letters, flats and parcels could be tendered directly to the destinating facility.” This being the case, please explain fully why the overnight delivery standard would be maintained for workshared letters, albeit with two earlier windows, but totally eliminated for manual letters?

RESPONSE:

In the proposed environment, presort First-Class Mail that arrives at the destinating P&DC prior to 8:00 a.m. will be delivered the following day. Five-digit presort First-Class Mail that arrives at the destinating P&DC prior to 12:00 a.m. will be delivered the following day. Single Piece First-Class Mail letters that you refer to as manual letters that are mailed through collection boxes, retail lobbies, or home mail boxes are not collected and transported to the destinating P&DC until after these two windows have passed, therefore missing the critical entry time required for the service standards as proposed in the Federal Register notice dated December 15 (See Library Reference USPS-LR-N2012-1/7). The Postal Service does not refer to collection mail as manual mail. In fact, this mail is processed on automation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NERI
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GCA/USPS-T4-16

(a) Please explain whether your calculation of “an idle time reduction of 27 percent” (page 18, lines 10-11) is based on your eight-hour current window or witness Rosenberg’s 4 hour window.

(b) Please explain why a 27 percent reduction in idle time would require a 100 percent increase in the time allowed to process a single piece letter, that is, from one to two days.

RESPONSE:

(a-b) A correction to the testimony will be filed. The 27% figure refers to the total amount of idle time in the mail processing network as seen in Library Reference USPS-LR-N2012-1/44.